



# **Draft report Structure of participant fees in AEMO's gas markets 2018**

**20 February 2018**

Australian Energy Market Operator Limited

# Executive Summary

## Background

AEMO is conducting a consultation on the structure of Participant fees to apply from 1 July 2018 for the:

- Victorian Declared Wholesale Gas Market (DWGM)
- Short Term Trading Market (STTM)
- Full Retail Contestability (FRC) Gas Markets in:
  - Victoria
  - New South Wales / Australian Capital Territory
  - Queensland
  - South Australia
- Gas Statement of Opportunities (GSOO)
- Gas Bulletin Board (GBB)
- The Energy Consumers Australia (ECA) fees collected by AEMO from gas participants

The current structure of Participant fees expires on 30 June 2018.

The objective of the consultation is to provide stakeholders with the opportunity to have input into the development of the structure of Participant fees to apply from 1 July 2018.

## Out of scope of this consultation

- Western Australia Full Retail Contestability (FRC) Gas Market
- Western Australia Gas Services Information (GSI)

These fee structures are prescribed in their respective market rules.

The closing date for submissions responding to this Draft Report is 6 March 2018.

This consultation only applies to the methodology in regard to the structure of fees. The actual amount charged for each fee will be determined on an annual basis, via the AEMO budgeting process.

## Guiding principles to gas fee structure

In determining the structure of Participant fees, AEMO must have regard to the National Gas Objective (NGO). In addition, the National Gas Law (NGL) and the National Gas Rules (NGR) detail principles that need to be considered when determining the structure of Participant fees:

- The structure of Participant fees should be simple.
- The components of Participant fees charged to each registered participant should be reflective of the extent to which AEMO's budgeted revenue requirements involve that registered participant.
- Participant fees should not unreasonably discriminate against a category or categories of registered participants.
- Fees and charges are to be determined on a non-profit basis that provides for full cost recovery.
- The structure of the Participant fees should provide for the recovery of AEMO's budgeted revenue requirements on a specified basis.

The principles may often be competing, for example, a strong cost reflective structure is unlikely to be simple. AEMO's objective is to find a balance between any competing principles.

## Summary of the draft gas fee structure for each function

AEMO issued a notice of the first stage of consultation (initial consultation paper) on 21 December 2017.

Nine submissions were received in the first stage of consultation. AEMO thanks the organisations responding to the initial consultation paper, the insights provided and time and effort put into the responses. The nine submissions are published on the consultation page of AEMO's website <http://aemo.com.au/Stakeholder-Consultation/Consultations/2017-Consultation-on-Gas-Markets-Structure-of-Participant-Fees>

AEMO has considered the issues and comments raised in the submissions and has now produced a draft position and report.

Submissions on the draft position and report are not restricted to these areas and comments are welcome on any relevant issue.

**Table 1 — Comparison of existing fee structure to the proposed fee structure**

	Existing structure	Proposed fee structure (to commence 1 July 2018)
Period of fee structure	3 year term	3 year term
Break-even period to recover costs	3 year break-even period	3 year break-even period
DWGM	<p><b>DWGM Energy Tariff</b></p> <p><i>Who pays?</i> Each market participant who withdraws gas, or whose customers withdraw gas, from the Declared Transmission System.</p> <p><i>How fee is applied?</i> A flat rate (\$ per gigajoule) for each gigajoule of gas withdrawn daily from the Declared Transmission System.</p> <p><i>Fee metric?</i> \$/GJ withdrawn/ daily.</p> <p><b>DWGM Distribution Meter Fee</b></p> <p><i>Who pays?</i> Each market participant who is connected to a Declared Distribution System, or whose customers are connected to a Declared Distribution System, at a connection point at which there is an interval metering installation.</p> <p><i>How fee is applied?</i> A flat rate (\$) for each connection point which is an interval metering installation.</p> <p><i>Fee metric?</i> \$/each connection point which is an interval metering installation/daily.</p> <p><b>DWGM Participant Compensation Fund</b></p> <p><i>Who pays?</i> Each market participant who withdraws gas, or whose customers withdraw gas, from the Declared Transmission System.</p> <p><i>How fee is applied?</i> A flat rate (\$ per gigajoule) for each gigajoule of gas withdrawn from the Declared Transmission System.</p> <p><i>Fee metric?</i> \$/GJ withdrawn/ daily.</p>	No change to the existing fee structure.
STTM	<p><b>STTM Activity Fee</b></p> <p><i>Who pays?</i> Each STTM Shipper and STTM User who withdraws gas at any STTM Hub</p>	No change to the existing fee structure.

*How fee is applied?* A flat rate (\$ per GJ) for the actual quantities of gas withdrawn daily at STTM Hubs.

*Fee metric?* \$/GJ withdrawn per day per hub per ABN.

**STTM Participant Compensation Fund**

*Who pays?* Each market participant who withdraws gas, or whose customers withdraw gas, from a STTM Hub

*How fee is applied?* A flat rate (\$ per gigajoule) for each gigajoule of gas withdrawn from a STTM Hub.

*Fee metric?* \$/GJ withdrawn per hub per ABN.

VIC FRC Gas	<p><b>VIC FRC Gas Tariff</b></p> <p><i>Who pays?</i> Victorian FRC gas market participants who are retailers.</p> <p><i>How fee is applied?</i> A flat rate</p> <p><i>Fee metric?</i> \$ per customer supply point.</p> <p><b>VIC FRC Gas initial registration fee</b></p> <p><i>Who pays?</i> Each new Victorian FRC gas market participant who is registering in the category of Market Participant – Retail or Market Participant – Other.</p> <p><i>How fee is applied?</i> A once-off fee (\$) at a set amount.</p>	No change to the existing structure.
QLD, SA & NSW FRC Gas	<p><b>QLD, SA &amp; NSW FRC Gas Tariff</b></p> <p><i>Who pays?</i> FRC gas market participants who are retailers.</p> <p><i>How fee is applied?</i> A flat rate per each individual jurisdiction.</p> <p><i>Fee metric?</i> \$ per customer supply point for each individual jurisdiction.</p> <p><b>QLD, SA &amp; NSW FRC Gas Initial Registration Fee</b></p> <p><i>Who pays?</i> Each new FRC gas market user and self-contracting user.</p> <p><i>How fee is applied?</i> A once-off fee (\$) at a set amount.</p>	No change to the existing structure.
GSOO	<p><b>GSOO Tariff</b></p> <p><i>Who pays?</i> Retailers and users, excluding self-contracting users, in the Victorian, NSW/ACT, Queensland and South Australian FRC gas markets.</p> <p><i>How fee is applied?</i> A flat rate.</p> <p><i>Fee metric?</i> \$ per customer supply point.</p>	No change to the existing structure.
Gas Bulletin Board	<p><b>GBB Fee</b></p> <p><i>Who pays?</i> 100% Shippers</p>	<p><b>GBB Fee</b></p> <p><i>Who pays?</i></p>

*How fee is applied?* Total flows shipped by the shipper against Total flows shipped in the market (%) X annual budget revenue requirement.

- 50% Producers
- 50% Participants in Wholesale Gas Markets (retailers and Direct Customers in the DWGM and STTM markets)

*How fee is applied?*

- Producers: A flat rate (\$ per gigajoule) for the actual quantities of gas produced.
- Participants in Wholesale Gas Markets: A flat rate (\$ per gigajoule) for each gigajoule of gas withdrawn from the Declared Transmission system or STTM hubs.

Energy Consumers  
Australia (on-charge)

**ECA Fee**

*Who pays?* FRC gas market participants

*How fee is applied?* A flat rate

*Fee metric?* \$ per customer supply point.

No change to the existing structure.

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# 1. Notice of second stage of consultation

## 1.1 Consultation timetable

This is the second stage of consultation.

AEMO received nine submissions in the first stage of consultation. These submissions are published on AEMO's website consultation page.

<http://aemo.com.au/Stakeholder-Consultation/Consultations/2017-Consultation-on-Gas-Markets-Structure-of-Participant-Fees>

The table outlines the steps in the consultation process, together with proposed dates for completion of the remaining steps. Please note that the proposed dates are subject to change by AEMO.

Milestone	Date
Consultation paper published (completed)	21 December 2017
First stage consultation submissions closing date - 9 submissions received	2 February 2018
Draft Report published	20 February 2018
<b>Second stage consultation submissions closing date</b>	<b>6 March 2018</b>
Final Report published	By 31 March 2018
Commencement of new gas fee structure	1 July 2018

## 1.2 Second stage submissions closing date

We invite you to provide submissions in response to the second stage of consultation **by 5.00pm AEDT 6 March 2018** to [jack.fitcher@aemo.com.au](mailto:jack.fitcher@aemo.com.au)

Alternatively you may post submissions to: Jack Fitcher, CFO, Australian Energy Market Operator Limited, GPO Box 2008, MELBOURNE VIC 3001.

AEMO has discretion to consider late submissions.

AEMO prefers submissions to be forwarded in electronic format (PDF) as they will be published on the AEMO website. All submissions will be published on the AEMO website unless specifically requested due to confidentiality reasons.

## 1.3 AEMO contact for inquiries

For all queries on the gas fee structure review, please contact:

- Ms Sandra Chui, Group Manager Commercial Services on (03) 9609 8623 or [sandra.chui@aemo.com.au](mailto:sandra.chui@aemo.com.au)
- Mr Jack Fitcher, CFO on (03) 9609 8506 or [jack.fitcher@aemo.com.au](mailto:jack.fitcher@aemo.com.au)

## 2. Submissions received in first stage of consultation

AEMO received nine submissions in the first stage of consultation. These respondents were:

- Australian Pipelines Limited (APA)
- Australian Pipeliners and Gas Association (APGA)
- Australia Pacific LNG (APLNG)
- Jemena
- Snowy Hydro
- Australian Petroleum Production and Exploration Association (APPEA)
- Santos GLNG
- Shell
- Origin Energy

All submissions received were considered in drafting the proposed fee structure and these views and themes are presented with AEMO's responses in section 3.



# 3. Proposed gas functions market fee structure

We invite you to provide a submission on the proposed structure for each of the relevant areas.

## 3.1 Period of fee structure and break-even period to recover costs

### 3.1.1 Draft position

A three year term and a three year break-even period to recover costs is proposed.

	Existing structure	Proposed fee structure (to commence 1 July 2018)
Period of fee structure	3 year term	3 year term
Break-even period to recover costs	3 year break-even period	3 year break-even period

Key reasons on the proposed fee structure:

- To provide predictability of charges while having the ability to change a fee structure if circumstances change.
- A three year period and recovery will align the expiry of the gas market fee structure with the expiry of the electricity fee structure. This may present some efficiencies for AEMO and participants.

### 3.1.2 Consultation submissions and key comments

Three of the nine participants commented on the period and break-even period. The three submissions supported a 3 year period.

## 3.2 Declared Wholesale Gas Market

### 3.2.1 Draft position

The draft position for the DWGM is unchanged from the existing structure.

	Existing structure	Proposed fee structure (to commence 1 July 2018)
DWGM	<p><b>DWGM Energy Tariff</b></p> <p><i>Who pays?</i> Each market participant who withdraws gas, or whose customers withdraw gas, from the Declared Transmission System.</p> <p><i>How fee is applied?</i> A flat rate (\$ per gigajoule) for each gigajoule of gas withdrawn daily from the Declared Transmission System.</p>	No change to the existing structure tariffs.

*Fee metric?* \$/GJ withdrawn/ daily.

#### **DWGM Distribution Meter Fee**

*Who pays?* Each market participant who is connected to a Declared Distribution System, or whose customers are connected to a Declared Distribution System, at a connection point at which there is an interval metering installation.

*How fee is applied?* A flat rate (\$) for each connection point which is an interval metering installation.

*Fee metric?* \$/each connection point which is an interval metering installation/daily.

#### **DWGM Participant Compensation Fund**

*Who pays?* Each market participant who withdraws gas, or whose customers withdraw gas, from the Declared Transmission System.

*How fee is applied?* A flat rate (\$ per gigajoule) for each gigajoule of gas withdrawn from the Declared Transmission System.

*Fee metric?* \$/GJ withdrawn/ daily.

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Key reasons for not changing the existing structure:

- The purpose, services and procedures in the DWGM have not materially changed.
- The existing fee structure have regard to the guiding principles.

### 3.2.2 Consultation submissions and key comments

Three of the nine participants commented on the structure of this function and broadly support the existing fee structure.

## 3.3 Short term trading market

### 3.3.1 Draft position

The draft position for the STTM is unchanged from the existing structure.

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	Existing structure	Proposed fee structure (to commence 1 July 2018)
STTM	<p><b>STTM Activity Fee</b></p> <p><i>Who pays?</i> Each STTM Shipper and STTM User who withdraws gas at any STTM Hub</p> <p><i>How fee is applied?</i> A flat rate (\$ per GJ) for the actual quantities of gas withdrawn daily at STTM Hubs.</p> <p><i>Fee metric?</i> \$/GJ withdrawn per day per hub per ABN.</p> <p><b>STTM Participant Compensation Fund</b></p> <p><i>Who pays?</i> Each market participant who withdraws gas, or whose customers withdraw gas, from a STTM Hub</p> <p><i>How fee is applied?</i> A flat rate (\$ per gigajoule) for each gigajoule of gas withdrawn from a STTM Hub.</p>	No change to the existing structure tariffs.

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*Fee metric?* \$/GJ withdrawn per hub per ABN.

Key reasons for not changing the existing structure:

- The purpose, services and procedures in the STTM have not materially changed.
- The existing fee structure have regard to the guiding principles.

### 3.3.2 Consultation submissions and key comments

Three of the nine participants commented on the structure of this function and broadly support the existing fee structure.

## 3.4 Victorian Full Retail Contestability Gas

### 3.4.1 Draft position

The draft position for the VIC FRC Gas is unchanged from the existing structure.

	Existing structure	Proposed fee structure (to commence 1 July 2018)
VIC FRC Gas	<p><b>VIC FRC Gas Tariff</b></p> <p><i>Who pays?</i> Victorian FRC gas market participants who are retailers.</p> <p><i>How fee is applied?</i> A flat rate</p> <p><i>Fee metric?</i> \$ per customer supply point.</p> <p><b>VIC FRC Gas initial registration fee</b></p> <p><i>Who pays?</i> Each new Victorian FRC gas market participant who is registering in the category of Market Participant – Retail or Market Participant – Other.</p> <p><i>How fee is applied?</i> A once-off fee (\$) at a set amount.</p>	No change to the existing structure.

Key reasons for not changing the existing structure:

- The purpose, services and procedures in the VIC FRC Gas have not materially changed.
- The existing fee structure have regard to the guiding principles.

### 3.4.2 Consultation submissions and key comments

Two of the nine participants commented on the structure of this function and broadly support the existing fee structure.

In the initial consultation paper, AEMO asked whether stakeholders to comment on the suitability of consolidating all FRC Gas tariffs for the different FRC markets into a single tariff. Snowy Hydro responded that a single consolidated tariff could be considered when a combined set of retail market procedures and systems is consistent.

AEMO comments that at present, the procedures, systems and internal processes for each FRC jurisdiction are different and therefore propose in the draft position to continue to ring fence and levy charges to FRC gas jurisdictions separately.

## 3.5 Queensland, South Australia and New South Wales / Australian Capital Territory Full Retail Contestability Gas

### 3.5.1 Draft position

The draft position for the QLD, SA, NSW/ACT FRC Gas is unchanged to the existing structure.

	Existing structure	Proposed fee structure (to commence 1 July 2018)
QLD, SA & NSW FRC Gas	<p><b>QLD, SA &amp; NSW FRC Gas Tariff</b></p> <p><i>Who pays?</i> FRC gas market participants who are retailers.</p> <p><i>How fee is applied?</i> A flat rate per each individual jurisdiction.</p> <p><i>Fee metric?</i> \$ per customer supply point per each individual jurisdiction.</p> <p><b>QLD, SA &amp; NSW FRC Gas Initial Registration Fee</b></p> <p><i>Who pays?</i> Each new FRC gas market user and self-contracting user.</p> <p><i>How fee is applied?</i> A once-off fee (\$) at a set amount.</p>	No change to the existing structure.

Key reasons for not changing the existing structure:

- The purpose, services and procedures in these FRC Gas jurisdictions have not materially changed.
- The existing fee structure have regard to the guiding principles.

### 3.5.2 Consultation submissions and key comments

Two of the nine participants commented on the structure of these functions and broadly support the existing fee structures.

## 3.6 Gas Statement of Opportunities

### 3.6.1 Draft position

The draft position for the GSOO is unchanged to the existing structure.

	Existing structure	Proposed fee structure (to commence 1 July 2018)
GSOO	<p><b>GSOO Tariff</b></p> <p><i>Who pays?</i> Retailers and users, excluding self-contracting users, in the Victorian, NSW/ACT, Queensland and South Australian FRC gas markets.</p> <p><i>How fee is applied?</i> A flat rate.</p> <p><i>Fee metric?</i> \$ per customer supply point.</p>	No change to the existing structure.

Key reasons for not changing the existing structure:

- The purpose and services of GSOO information have not materially changed.
- The existing fee structure have regard to the guiding principles.

### 3.6.2 Consultation submissions and key comments

Two of the nine participants commented on the structure of the function and broadly support the existing fee structure.

## 3.7 Gas Bulletin Board

### 3.7.1 Draft position

On the 26 September 2017 the Australian Energy Market Commission (AEMC) published a final rule determination (Determination) pursuant to a rule change request from the COAG Energy Council. The rule change request sought changes to enhance the breadth and accuracy of information provided to the market through the GBB.

The rule change removed the existing cost recovery provisions relating to the GBB from Part 18 of the NGR and provided AEMO with the power to determine the structure of participant fees. Shippers are no longer required to be 'registered participants' which necessitated a change from the existing fee structure.

The draft position for the GBB is to levy 50% of costs to producers and 50% of costs to participants in the Victorian Declared Wholesale Gas Market and Short Term Trading Market.

	Existing structure	Proposed fee structure (to commence 1 July 2018)
Gas Bulletin Board	<p><b>GBB Fee</b></p> <p><i>Who pays?</i> 100% Shippers</p> <p><i>How fee is applied?</i> Total flows shipped by the shipper against Total flows shipped in the market (%) X annual budget revenue requirement.</p>	<p><b>GBB Fee</b></p> <p><i>Who pays?</i></p> <ul style="list-style-type: none"> <li>• 50% Producers</li> <li>• 50% DWGM market participants that withdraws gas and STTM users (retailers and Direct Customers in the DWGM and STTM markets)</li> </ul> <p><i>How fee is applied?</i></p> <ul style="list-style-type: none"> <li>• Producers: A flat rate (\$ per gigajoule) for the actual quantities of gas produced.</li> <li>• Participants in Wholesale Gas Markets: A flat rate (\$ per gigajoule) for each gigajoule of gas withdrawn from the Declared Transmission system or STTM hubs.</li> </ul>

Key reasons for the proposed fee structure:

- **Reflective of involvement** principle – this principle requires AEMO to consider the extent to which AEMO's revenue requirements involve the registered participant, which is broader than the beneficiaries.

For this reason AEMO felt it appropriate to allocate a portion of the costs to producers (direct involvement) and a portion to wholesale gas market participants (beneficiaries).

- **Simple** – The proposed structure is consistent with the simplicity principle.

AEMO is also required to consider other similar fee structures. It is worth noting that the Western Australian Gas Bulletin Board are allocated 50% to producers and 50% to shippers based on volume.

AEMO was also conscious of adhering to the purpose of the GBB. The GBB was created to provide equal access, reduce information asymmetry, aid with investment decision making and competition in markets for facilities connected to the east coast gas market. To develop a proposed fee structure, AEMO must have regard to this to maintain information transparency (i.e. removing barriers of entry to information).

### 3.7.2 Consultation submissions and key comments

Eight of the nine participants commented on the structure of the function. A number of different fee structures were presented from respondents.

The themes have been collectively tabled along with AEMO comment:

Respondents position	Respondent(s)	AEMO comment
Levy 100% of the costs to producers as the simplest and fairest approach because it would remove the current exemption process for gas passing through multiple pipelines where complexity of costs could arise if fees were levied on pipeline owners. Producers could also pass on costs directly to end consumers.	<ul style="list-style-type: none"> <li>• APA support this approach</li> <li>• APGA support this approach as their third preference</li> </ul>	<p>The proposed fee structure levies 50% of cost on producers.</p> <p>The comment regarding complexity in levying a tariff on gas passing through multiple pipelines could be addressed by only counting volumes of gas that are entering the east coast transmission system or leaving it (i.e ignore the flows in and out of storage) as is done under the current arrangement.</p>
Reinstate shippers and continue charging shippers as it is the fairest and most efficient.	<ul style="list-style-type: none"> <li>• APGA support this position</li> </ul>	AEMO would consider this option if shippers were required to be registered again.
Use a subscription model to charge all users (including consultants) benefiting from GBB information. This charge could be a portion of the total cost base, or 100% of total costs.	<ul style="list-style-type: none"> <li>• APGA, APLNG, APPEA, Santos GLNG, Shell and Origin support this approach</li> </ul>	<p>AEMO has considered a subscription based model. However, this model is unlikely to be simple and may present longer term challenges to the gas market:</p> <p>(1) A subscription based model will conflict with the GBB purpose to provide equal access and reduce information asymmetry.</p> <p>(2) A subscription based model will require additional resources for a system and charging mechanism to be developed and supported operationally. This will also take time. These costs may significantly increase a relatively small operating cost base of \$2m with benefits not realised compared to costs that will be worn and passed onto users.</p>
Consider a blend of fixed and variable charges in structuring the fee	<ul style="list-style-type: none"> <li>• APLNG, APPEA, Santos GLNG, Shell, Origin Energy commented on levying fees based on fixed vs variable charge.</li> </ul>	A blended charge was considered, however it is proposed that a volume based charge better aligns with the reflective of involvement and simplicity principles.
Levying GBB costs across multiple gas participants such as production/pipeline/storage to ensure fairness	<ul style="list-style-type: none"> <li>• Snowy Hydro, APPEA, Santos GLNG, Shell, Origin Energy commented on spreading costs across a large number of participants.</li> </ul>	<p>It was considered that storage participants and less involved in the GBB.</p> <p>In considering between production or pipeline participants to levy charges on, considering 50% is proposed to be levied on wholesale gas market participants (retailers and direct users) AEMO felt that it was more appropriate under the economic efficiency principle in the National Gas Objective to levy the charge to producers because pipeline participants could potentially pass costs down to retailers and direct users.</p>
Combining GSOO and GBB as one information fee and levied to gas retail markets	<ul style="list-style-type: none"> <li>• Shell support this approach as an option</li> </ul>	This approach is simple to administer and charges the ultimate end user. However this

approach does not fully reflect the extent of the involvement principle.

A variation in charge between viewing and downloading GBB data.

- APPEA support this approach

Refer to the response in relation to the subscription model.

## 3.8 Energy Consumers Australia

### 3.8.1 Draft position

The draft position for the ECA is unchanged from the existing structure.

	Existing structure	Proposed fee structure (to commence 1 July 2018)
Energy Consumers Australia (on-charge)	<p><b>ECA Fee</b></p> <p><i>Who pays?</i> FRC gas market participants</p> <p><i>How fee is applied?</i> A flat rate</p> <p><i>Fee metric?</i> \$ per customer supply point.</p>	No change to the existing structure.

Key reasons for not changing the existing structure:

- The services and purpose of the ECA have not materially changed.
- The existing fee structure have regard to the guiding principles.

### 3.8.2 Consultation submissions and key comments

No participants directly commented on the structure of this function.